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CONFERENCE OF THE PARTIES

REPORT OF THE CONFERENCE OF THE PARTIES ON ITS SEVENTH SESSION, HELD AT MARRAKESH FROM 29 OCTOBER TO 10 NOVEMBER 2001

Addendum

PART TWO: ACTION TAKEN BY THE CONFERENCE OF THE PARTIES

Volume II

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Decision 15/CP.7

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 1/CP.3, in particular paragraphs 5(b), (c) and (e),

Further recalling its decisions 7/CP.4, 8/CP.4, 9/CP.4, 14/CP.5, and 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action, as appropriate,

Recalling also the preamble to the Convention,

Recognizing that, in using the mechanisms, Parties shall be guided by the objective and principles contained in Articles 2 and 3 and by Article 4, paragraph 7, of the Convention,

Further recognizing that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I,

Emphasizing that the Parties included in Annex I shall implement domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences between developed and developing country Parties while working towards achievement of the ultimate objective of the Convention,

Affirming that the use of the mechanisms shall be supplemental to domestic action and that domestic action shall thus constitute a significant element of the effort made by each Party included in Annex I to meet its quantified emission limitation and reduction commitments under Article 3, paragraph 1,

Further emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, sound and strong principles and rules governing land use, land-use change and forestry activities and a strong compliance regime,

Aware of its decisions 11/CP.7, 16/CP.7, 17/CP.7, 18/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7 and 24/CP.7,

Recommends that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

8th plenary meeting
10 November 2001

Draft decision -/CMP.1 (*Mechanisms*)

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling decision 1/CP.3, in particular paragraphs 5(b), (c) and (e),

Further recalling decisions 7/CP.4, 8/CP.4, 9/CP.4, 14/CP.5, 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action, 11/CP.7, 16/CP.7, 17/CP.7, 18/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7 and 24/CP.7, as appropriate,

Recalling also the preamble to the Convention,

Recognizing that, in using the mechanisms, Parties shall be guided by the objective and principles contained in Articles 2 and 3 and by Article 4, paragraph 7, of the Convention,

Further recognizing that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I,

Emphasizing that the Parties included in Annex I shall implement domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences between developed and developing country Parties while working towards achievement of the ultimate objective of the Convention,

Further emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, sound and strong principles and rules governing land use, land-use change and forestry activities, and a strong compliance regime,

Aware of its decisions -/CMP.1 (*Article 6*), -/CMP.1 (*Article 12*), -/CMP.1 (*Article 17*), -/CMP.1 (*Land use, land-use change and forestry*), -/CMP.1 (*Modalities for the accounting of assigned amounts*), -/CMP.1 (*Article 5.1*), -/CMP.1 (*Article 5.2*), -/CMP.1 (*Article 7*) and -/CMP.1 (*Article 8*) and decision 24/CP.7,

1. *Decides* that the use of the mechanisms shall be supplemental to domestic action and that domestic action shall thus constitute a significant element of the effort made by each Party included in Annex I to meet its quantified emission limitation and reduction commitments under Article 3, paragraph 1;

2. *Requests* the Parties included in Annex I to provide relevant information in relation to paragraph 1 above, in accordance with Article 7 of the Kyoto Protocol, for review under its Article 8;

3. *Decides* that the provision of such information shall take into account reporting on demonstrable progress as contained in decision -/CMP.1 (*Article 7*);

4. *Requests* the facilitative branch of the compliance committee to address questions of implementation with respect to paragraphs 2 and 3 above;

5. *Decides* that the eligibility to participate in the mechanisms by a Party included in Annex I shall be dependent on its compliance with methodological and reporting requirements under Article 5, paragraphs 1 and 2, and Article 7, paragraphs 1 and 4, of the Kyoto Protocol. Oversight of this provision will be provided by the enforcement branch of the compliance committee, in accordance with the procedures and mechanisms relating to compliance as contained in decision 24/CP.7, assuming approval of such procedures and mechanisms by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in decision form in addition to any amendment entailing legally binding consequences, noting that it is the prerogative of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol to decide on the legal form of the procedures and mechanisms relating to compliance;

6. *Decides* that certified emission reductions, emission reduction units and assigned amount units under Articles 6, 12 and 17, as well as removal units resulting from activities under Article 3, paragraphs 3 and 4, may be used to meet commitments under Article 3, paragraph 1, of the Parties included in Annex I, and can be added as provided for in Article 3, paragraphs 10, 11 and 12 of the Kyoto Protocol and in conformity with the provisions contained in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*), and that emission reduction units, assigned amount units and removal units can be subtracted as provided for in Article 3, paragraphs 10 and 11, and in conformity with the provisions contained in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*), without altering the quantified emission limitation and reduction commitments inscribed in Annex B to the Kyoto Protocol.

Decision 16/CP.7

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

Aware of its decisions 3/CP.7, 11/CP.7, 15/CP.7, 17/CP.7, 18/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7 and 24/CP.7,

Affirming that it is the host Party's prerogative to confirm whether an Article 6 project activity assists it in achieving sustainable development,

Recognizing that Parties included in Annex I to the Convention are to refrain from using emission reduction units generated from nuclear facilities to meet their commitments under Article 3, paragraph 1,

1. *Urges* the Parties included in Annex II to the Convention to facilitate the participation in projects under Article 6 of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

2. *Invites* Parties included in Annex I to finance the administrative expenses for operating joint implementation under Article 6 by making contributions to the UNFCCC Trust Fund for Supplementary Activities in order to facilitate preparatory work by the secretariat, if necessary;

3. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

8th plenary meeting
10 November 2001

Draft decision -/CMP.1 (*Article 6*)

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Aware of its decisions -/CMP.1 (*Mechanisms*), -/CMP.1 (*Article 12*), -/CMP.1 (*Article 17*), -/CMP.1 (*Land use, land-use change and forestry*), -/CMP.1 (*Modalities for the accounting of assigned amounts*), -/CMP.1 (*Article 5.1*), -/CMP.1 (*Article 5.2*), -/CMP.1 (*Article 7*) and -/CMP.1 (*Article 8*), and decisions 3/CP.7 and 24/CP.7,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision 16/CP.7 and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Decides* to adopt the guidelines for the implementation of Article 6 of the Kyoto Protocol contained in the annex below;

3. *Decides* to establish the Article 6 supervisory committee, at its first session, to supervise, *inter alia*, the verification of ERUs generated by Article 6 projects;

4. *Decides* that projects under Article 6 aimed at enhancing anthropogenic removals by sinks shall conform to definitions, accounting rules, modalities and guidelines under Article 3, paragraphs 3 and 4, of the Kyoto Protocol;

5. *Decides* that projects starting as of the year 2000 may be eligible as Article 6 projects if they meet the requirements of the guidelines for the implementation of Article 6 of the Kyoto Protocol as set out in the annex below and that ERUs shall only be issued for a crediting period starting after the beginning of the year 2008;

6. *Urges* the Parties included in Annex II to facilitate the participation in Article 6 projects of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

7. *Decides* that any administrative costs arising from procedures contained in the annex below relating to the functions of the Article 6 supervisory committee shall be borne by both the Parties included in Annex I and the project participants according to specifications set out in a decision by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session;

8. *Decides further* that any future revision of the guidelines for the implementation of Article 6 shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Article 6 supervisory committee and by the Subsidiary Body for Implementation drawing on technical advice of the Subsidiary Body for Scientific and

Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect ongoing Article 6 projects.

ANNEX

Guidelines for the implementation of Article 6 of the Kyoto Protocol

A. Definitions

1. For the purpose of the present annex the definitions contained in Article 1[1] and the provisions of Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in the annex to decision -/CMP.1 (*Article 12*), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) A "removal unit" or "RMU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(e) "Stakeholders" means the public, including individuals, groups or communities affected, or likely to be affected, by the project.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall provide guidance regarding the implementation of Article 6 and exercise authority over the Article 6 supervisory committee.

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[1] In the context of this annex, "Article" refers to an Article of the Kyoto Protocol, unless otherwise specified.

C. Article 6 supervisory committee

3. The Article 6 supervisory committee shall supervise, *inter alia*, the verification of ERUs generated by Article 6 project activities, referred to in section E below, and be responsible for:

(a) Reporting on its activities to each session of the COP/MOP;

(b) The accreditation of independent entities in accordance with standards and procedures contained in Appendix A below;

(c) The review of standards and procedures for the accreditation of independent entities in Appendix A below, giving consideration to relevant work of the executive board of the clean development mechanism (CDM) and, as appropriate, making recommendations to the COP/MOP on revisions to these standards and procedures;

(d) The review and revision of reporting guidelines and criteria for baselines and monitoring in Appendix B below, for consideration by the COP/MOP, giving consideration to relevant work of the executive board of the CDM, as appropriate;

(e) The elaboration of the Article 6 project design document, for consideration by the COP/MOP, taking into consideration Appendix B of the Annex on modalities and procedures for a clean development mechanism and giving consideration to relevant work of the executive board of the CDM, as appropriate;

(f) The review procedures set out in paragraphs 35 and 39 below;

(g) The elaboration of any rules of procedure additional to those contained in the present annex, for consideration by the COP/MOP.

4. The Article 6 supervisory committee shall comprise ten members from Parties to the Kyoto Protocol, as follows:

(a) Three members from Parties[2] included in Annex I that are undergoing the process of transition to a market economy;

(b) Three members from Parties included in Annex I not referred to in subparagraph (a) above;

(c) Three members from Parties not included in Annex I;

(d) One member from the small island developing States.

5. Members, including alternate members, of the Article 6 supervisory committee shall be nominated by the relevant constituencies referred to in paragraph 4 above and be elected by the COP/MOP. The COP/MOP shall elect to the Article 6 supervisory committee five members and five alternate members for a term of two years and five members and five alternate members for a term of three years. Thereafter, the COP/MOP shall elect, every year, five new members and five alternate members for a term of two years. Appointment pursuant to paragraph 12 below

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[2] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

shall count as one term. The members and alternate members shall remain in office until their successors are elected.

6. Members of the Article 6 supervisory committee may be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count.

7. The Article 6 supervisory committee shall elect annually a chairperson and vice-chairperson from among its members, with one being from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

8. The COP/MOP shall elect an alternate member for each member of the Article 6 supervisory committee based on the criteria in paragraphs 4, 5 and 6 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination of a candidate alternate member from the same constituency.

9. The Article 6 supervisory committee shall meet at least two times each year, whenever possible in conjunction with the meetings of the subsidiary bodies, unless decided otherwise. All documentation for the Article 6 supervisory committee meetings shall be made available to alternate members.

10. Members, including alternate members, of the Article 6 supervisory committee shall:

(a) Serve in their personal capacities and shall have recognized competence relating to climate change issues and in relevant technical and policy fields. The cost of participation of members and of alternate members from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the Article 6 supervisory committee;

(b) Have no pecuniary or financial interest in any aspect of an Article 6 project;

(c) Subject to their responsibility to the Article 6 supervisory committee, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the Article 6 supervisory committee. The duty of a member, including an alternate member, not to disclose confidential information constitutes an obligation in respect to that member, including an alternate member, and shall remain an obligation after the expiration or termination of that member's, including an alternate member's, function for the Article 6 supervisory committee;

(d) Be bound by the rules of procedure of the Article 6 supervisory committee;

(e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties.

11. The Article 6 supervisory committee may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the Article 6 supervisory committee without proper justification.

12. If a member, or an alternate member, of the Article 6 supervisory committee resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the Article 6 supervisory committee may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate. In such a case, the Article 6 supervisory committee shall take into account any views expressed by the group that had nominated the member.

13. The Article 6 supervisory committee shall draw on the expertise necessary to perform its functions, in particular taking into account national accreditation procedures.

14. At least two thirds of the members of the Article 6 supervisory committee, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

15. Decisions by the Article 6 supervisory committee shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. The full text of all decisions of the Article 6 supervisory committee shall be made publicly available. Decisions shall be made available in all six official languages of the United Nations.

17. The working language of the Article 6 supervisory committee shall be English.

18. Meetings of the Article 6 supervisory committee shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the Article 6 supervisory committee.

19. The secretariat shall service the Article 6 supervisory committee.

D. Participation requirements

20. A Party involved in an Article 6 project shall inform the secretariat of:

(a) Its designated focal point for approving projects pursuant to Article 6, paragraph 1(a);

(b) Its national guidelines and procedures for approving Article 6 projects, including the consideration of stakeholders' comments, as well as monitoring and verification.

21. Subject to the provisions of paragraph 22 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to transfer and/or acquire ERUs issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:

(a) It is a Party to the Kyoto Protocol;

(b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);

(c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;

(f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

22. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

(a) To meet the eligibility requirements referred to in paragraph 21 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) To continue to meet the eligibility requirements referred to in paragraph 21 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

23. Where it is considered to meet the eligibility requirements set out in paragraph 21 above, a host Party may verify reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1 (b). Upon such verification, the host Party may issue the appropriate quantity of ERUs in accordance with the relevant provisions of decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

24. Where a host Party does not meet the eligibility requirements set out in paragraph 21 above, the verification of reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1(b), shall occur through the verification procedure under the Article 6 supervisory committee, as set out in section E below. The host Party may however only issue and transfer ERUs upon meeting the requirements in paragraphs 21 (a), (b) and (d) above.

25. A host Party which meets the requirements in paragraph 21 above may at any time elect to use the verification procedure under the Article 6 supervisory committee.

26. The provisions in Article 6, paragraph 4, shall pertain, *inter alia*, to the requirements of paragraph 21 above.

27. The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and that have been suspended in accordance with relevant provisions contained in decision 24/CP.7.

28. A Party hosting an Article 6 project shall make publicly available, directly or through the secretariat, information on the project in accordance with the reporting guidelines set out in Appendix B below and the requirements contained in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

29. A Party that authorizes legal entities to participate in Article 6 projects shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Legal entities may only transfer or acquire ERUs if the authorizing Party is eligible to do so at that time.

E. Verification procedure under the Article 6 supervisory committee

30. The verification procedure under the Article 6 supervisory committee is the determination by an independent entity, accredited pursuant to Appendix A below, of whether a project and the ensuing reductions of anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks meet the relevant requirements of Article 6 and these guidelines.

31. Project participants shall submit to an accredited independent entity a project design document that contains all information needed for the determination of whether the project:

(a) Has been approved by the Parties involved;

(b) Would result in a reduction of anthropogenic emissions by sources or an enhancement of anthropogenic removals by sinks that is additional to any that would otherwise occur;

(c) Has an appropriate baseline and monitoring plan in accordance with the criteria set out in Appendix B below.

32. The accredited independent entity shall make the project design document publicly available through the secretariat, subject to confidentiality provisions set out in paragraph 40 below, and receive comments from Parties, stakeholders and UNFCCC accredited observers on the project design document and any supporting information for 30 days from the date the project design document is made publicly available.

33. The accredited independent entity shall determine whether:

(a) The project has been approved by the Parties involved;

(b) The project would result in a reduction of anthropogenic emissions by sources or an enhancement of anthropogenic removals by sinks that is additional to any that would otherwise occur;

(c) The project has an appropriate baseline and monitoring plan in accordance with the criteria set out in Appendix B below;

(d) Project participants have submitted to the accredited independent entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts, in accordance with procedures as determined by the host Party, and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party.

34. The accredited independent entity shall make its determination publicly available through the secretariat, together with an explanation of its reasons, including a summary of comments received and a report of how due account was taken of these.

35. The determination regarding a project design document shall be deemed final 45 days after the date on which the determination is made public, unless a Party involved in the project or three of the members of the Article 6 supervisory committee request a review by the Article 6 supervisory committee. If such a review is requested, the Article 6 supervisory committee shall finalize the review as soon as possible, but no later than six months or at the second meeting following the request for review. The Article 6 supervisory committee shall communicate its decision on the determination and the reasons for it to the project participants and the public. Its decision shall be final.

36. Project participants shall submit to an accredited independent entity a report in accordance with the monitoring plan on reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks that have already occurred. The report shall be made publicly available.

37. The accredited independent entity shall, upon receipt of a report referred to under paragraph 36 above, make a determination of the reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks reported by project participants in accordance with Appendix B below, provided that they were monitored and calculated in accordance with paragraph 33 above.

38. The accredited independent entity shall make its determination under paragraph 37 above publicly available through the secretariat, together with an explanation of its reasons.

39. The determination regarding reported reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks shall be deemed final 15 days after the date on which it is made public, unless a Party involved in the project or three of the members of the Article 6 supervisory committee request a review by the Article 6 supervisory committee. If such a review is requested, the Article 6 supervisory committee shall:

(a) At its next meeting or no later than 30 days after the formal request for the review decide on its course of action. If it decides that the request has merit, it shall perform a review;

(b) Complete its review within 30 days following its decision to perform the review;

(c) Inform the project participants of the outcome of the review, and make public its decision and the reasons for it.

40. Information obtained from project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by applicable national law of the host Party. Information used to determine whether reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks are additional, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 33(d) above, shall not be considered as proprietary or confidential.

41. Any provisions relating to the commitment period reserve or other limitations to transfers under Article 17 shall not apply to transfers by a Party of ERUs issued into its national registry that were verified in accordance with the verification procedure under the Article 6 supervisory committee.

42. The Article 6 supervisory committee shall suspend or withdraw the accreditation of an independent entity if it has carried out a review and found that the entity no longer meets the accreditation standards laid down in Appendix A. The Article 6 supervisory committee may suspend or withdraw accreditation only after the accredited independent entity has had the opportunity of a hearing and depending on the outcome of the hearing. The suspension or withdrawal is with immediate effect. The affected entity shall be notified, immediately and in

writing, once the Article 6 supervisory committee has decided upon its suspension or withdrawal. The decision by the Article 6 supervisory committee on such a case shall be made public.

43. Verified projects shall not be affected by the suspension or withdrawal of the accreditation of an accredited independent entity unless significant deficiencies are identified in the determination referred to in paragraphs 33 or 37 above for which the entity was responsible. In this case, the Article 6 supervisory committee shall decide whether a different accredited independent entity shall be appointed to assess and, where appropriate, correct such deficiencies. If such an assessment reveals that excess ERUs have been transferred as a result of the deficiencies identified in the determination referred to in paragraphs 33 or 37 above, the independent entity whose accreditation has been withdrawn or suspended shall acquire an equivalent amount of AAUs and ERUs and place them in the holding account of the Party hosting the project within 30 days from the assessment mentioned above.

44. Any suspension or withdrawal of an accredited independent entity that adversely affects verified projects shall be decided on by the Article 6 supervisory committee only after the affected project participants have had the opportunity of a hearing.

45. Any costs related to the assessment referred to in paragraph 44 above shall be borne by the accredited independent entity whose accreditation has been withdrawn or suspended.

APPENDIX A

Standards and procedures for the accreditation of independent entities

1. An independent entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

(b) Employ a sufficient number of persons having the necessary competence to perform all necessary functions relevant to the verification of ERUs generated by Article 6 projects relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, *inter alia*, procedures for the allocation of responsibilities within the organization and for handling complaints. These procedures shall be made publicly available;

(f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by the COP/MOP, and, in particular, have sufficient knowledge and understanding of:

(i) The guidelines for the implementation of Article 6 of the Kyoto Protocol, relevant decisions of the COP/MOP and of the Article 6 supervisory committee;

(ii) Environmental issues relevant to the verification of Article 6 projects;

(iii) The technical aspects of Article 6 activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and other environmental impacts;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for the accounting of anthropogenic emissions by sources and/or anthropogenic removals by sinks;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to verification. The applicant independent entity shall make available:

(i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other relevant personnel;

(ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;

(iii) Its quality assurance policy and procedures;

(iv) Administrative procedures, including document control;

(v) Its policy and procedures for the recruitment and training of independent entity personnel, for ensuring their competence for all necessary functions and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as an accredited independent entity.

2. An applicant independent entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant independent entity shall have a documented structure, which safeguards impartiality, including provisions to ensure the impartiality of its operations;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any Article 6 project, the applicant independent entity shall:

- Make a declaration of all the organization's actual and potential Article 6 activities;

- Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;

- Demonstrate that no actual or potential conflict of interest exists between its functions as an accredited independent entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the applicant independent entity or from the activities of related bodies;

- Demonstrate that it, together with its senior executive and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from Article 6 project participants in accordance with provisions contained in the annex on guidelines for the implementation of Article 6.

APPENDIX B

Criteria for baseline setting and monitoring

Criteria for baseline setting

1. The baseline for an Article 6 project is the scenario that reasonably represents the anthropogenic emissions by sources or anthropogenic removals by sinks of greenhouse gases that would occur in the absence of the proposed project. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A, and anthropogenic removals by sinks, within the project boundary.

2. A baseline shall be established:

(a) On a project-specific basis and/or using a multi-project emission factor;

(b) In a transparent manner with regard to the choice of approaches, assumptions, methodologies, parameters, data sources and key factors;

(c) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector;

(d) In such a way that ERUs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure;*

(e) Taking account of uncertainties and using conservative assumptions.

3. Project participants shall justify their choice of baseline.

Monitoring

4. Project participants shall include, as part of the project design document, a monitoring plan that provides for:

(a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases within the project boundary during the crediting period;

(c) The identification of all potential sources of, and the collection and archiving of data on increased anthropogenic emissions by sources and/or reduced anthropogenic removals by sinks of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project during the crediting period. The project boundary shall encompass all anthropogenic emissions by sources and/or removals by sinks of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the Article 6 project;

(d) The collection and archiving of information on environmental impacts, in accordance with procedures as required by the host Party, where applicable;

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks by the proposed Article 6 project, and for leakage effects, if any. Leakage is defined as the net change of anthropogenic emissions by sources and/or removals by sinks of greenhouse gases which occurs outside the project boundary, and that is measurable and attributable to the Article 6 project;

(g) Documentation of all steps involved in the calculations referred to in subparagraphs (b) and (f) above.

5. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for the determination referred to in paragraph 37 of the annex on guidelines for the implementation of Article 6 of the Kyoto Protocol by the accredited independent entity.

6. The implementation of the monitoring plan and its revisions, as applicable, shall be a condition for verification.

Decision 17/CP.7

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties,

Recalling Article 12 of the Kyoto Protocol which provides that the purpose of the clean development mechanism shall be to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,

Recalling also its decision 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

Aware of its decisions 2/CP.7, 11/CP.7, 15/CP.7, 16/CP.7, 18/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7, 24/CP.7 and 38/CP.7,

Affirming that it is the host Party's prerogative to confirm whether a clean development mechanism project activity assists it in achieving sustainable development,

Recognizing that Parties included in Annex I are to refrain from using certified emission reductions generated from nuclear facilities to meet their commitments under Article 3, paragraph 1,

Bearing in mind the need to promote equitable geographic distribution of clean development mechanism project activities at regional and subregional levels,

Emphasizing that public funding for clean development mechanism projects from Parties in Annex I is not to result in the diversion of official development assistance and is to be separate from and not counted towards the financial obligations of Parties included in Annex I,

Further emphasizing that clean development mechanism project activities should lead to the transfer of environmentally safe and sound technology and know-how in addition to that required under Article 4, paragraph 5, of the Convention and Article 10 of the Kyoto Protocol,

Recognizing the need for guidance for project participants and designated operational entities, in particular for establishing reliable, transparent and conservative baselines, to assess whether clean development mechanism project activities are in accordance with the additionality criterion in Article 12, paragraph 5(c), of the Kyoto Protocol,

1. *Decides* to facilitate a prompt start for a clean development mechanism by adopting the modalities and procedures contained in the annex below;

2. *Decides* that, for the purposes of the present decision, the Conference of the Parties shall assume the responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as set out in the annex below on modalities and procedures;

3. *Invites* nominations for membership in the executive board:

(a) For facilitating the prompt start of the clean development mechanism, from Parties to the Convention to be submitted to the President of the Conference of the Parties at its present session, with a view to the Conference of the Parties electing the members of the executive board at that session;

(b) Upon the entry into force of the Kyoto Protocol, to replace any member of the executive board of the clean development mechanism whose country has not ratified or acceded to the Kyoto Protocol. Such new members shall be nominated by the same constituencies and elected at the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Decides* that, prior to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the executive board and any designated operational entities shall operate in the same manner as the executive board and designated operational entities of the clean development mechanism as set out in the annex below;

5. *Decides* that the executive board shall convene its first meeting immediately upon the election of its members;

6. *Decides* that the executive board shall include in its work plan until the eighth session of the Conference of the Parties, *inter alia*, the following tasks:

(a) To develop and agree on its rules of procedure and recommend them to the Conference of the Parties for adoption, applying draft rules until then;

(b) To accredit operational entities and designate them, on a provisional basis, pending the designation by the Conference of the Parties at its eighth session;

(c) To develop and recommend to the Conference of the Parties, at its eighth session, simplified modalities and procedures for the following small-scale clean development mechanism project activities:

(i) Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent);

(ii) Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatt/hours per year;

(iii) Other project activities that both reduce anthropogenic emissions by sources and directly emit less than 15 kilotonnes of carbon dioxide equivalent annually;

(d) To prepare recommendations on any relevant matter, including on Appendix C to the annex below, for consideration by the Conference of the Parties at its eighth session;

(e) To identify modalities for seeking collaboration with the Subsidiary Body for Scientific and Technological Advice on methodological and scientific issues;

7. *Decides*:

(a) That the eligibility of land use, land-use change and forestry project activities under the clean development mechanism is limited to afforestation and reforestation;

(b) That for the first commitment period, the total of additions to a Party's assigned amount resulting from eligible land use, land-use change and forestry project activities under the clean development mechanism shall not exceed one per cent of base year emissions of that Party, times five;

(c) That the treatment of land use, land-use change and forestry project activities under the clean development mechanism in future commitment periods shall be decided as part of the negotiations on the second commitment period;

8. *Requests* the secretariat to organize a workshop before the sixteenth session of the Subsidiary Body for Scientific and Technological Advice with the aim of recommending terms of reference and an agenda for the work to be conducted under paragraph 10(b) below on the basis of, *inter alia*, submissions by Parties referred to in paragraph 9 below;

9. *Invites* Parties to provide submissions to the secretariat by 1 February 2002 on the organization of the workshop referred to in paragraph 8 above, and to express their views on the terms of reference and the agenda for the work to be conducted under paragraph 10(b) below;

10. *Requests* the Subsidiary Body for Scientific and Technological Advice:

(a) To develop at its sixteenth session terms of reference and an agenda for the work to be conducted under subparagraph (b) below, taking into consideration, *inter alia*, the outcome of the workshop mentioned in paragraph 8 above;

(b) To develop definitions and modalities for including afforestation and reforestation project activities under the clean development mechanism in the first commitment period, taking into account the issues of non-permanence, additionality, leakage, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in the preamble to decision -/CMP.1 (*Land use, land-use change and forestry*) and the terms of reference referred to in subparagraph (a) above, with the aim of adopting a decision on these definitions and modalities at the ninth session of the Conference of the Parties, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session;

11. *Decides* that the decision by the Conference of the Parties at its ninth session, on definitions and modalities for inclusion of afforestation and reforestation project activities under the clean development mechanism, for the first commitment period, referred to in paragraph 10 (b) above, shall be in the form of an annex on modalities and procedures for

afforestation and reforestation project activities for a clean development mechanism reflecting, *mutatis mutandis*, the annex to the present decision on modalities and procedures for a clean development mechanism;

12. *Decides* that certified emission reductions shall only be issued for a crediting period starting after the date of registration of a clean development mechanism project activity;

13. *Further decides* that a project activity starting as of the year 2000, and prior to the adoption of this decision, shall be eligible for validation and registration as a clean development mechanism project activity if submitted for registration before 31 December 2005. If registered, the crediting period for such project activities may start prior to the date of its registration but not earlier than 1 January 2000;

14. *Requests* Parties included in Annex I to start implementing measures to assist Parties not included in Annex I, in particular the least developed and small island developing States among them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention;

15. *Decides*:

(a) That the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be two per cent of the certified emission reductions issued for a clean development mechanism project activity;

(b) That clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

16. *Decides* that the level of the share of proceeds to cover administrative expenses of the clean development mechanism shall be determined by the Conference of the Parties upon the recommendation of the executive board;

17. *Invites* Parties to finance the administrative expenses for operating the clean development mechanism by making contributions to the UNFCCC Trust Fund for Supplementary Activities. Such contributions shall be reimbursed, if requested, in accordance with procedures and a timetable to be determined by the Conference of the Parties upon the recommendation of the executive board. Until the Conference of the Parties determines a percentage for the share of proceeds for the administrative expenses, the executive board shall charge a fee to recover any project related expenses;

18. *Requests* the secretariat to perform any functions assigned to it in the present decision and in the annex below;

19. *Decides* to assess progress made regarding the clean development mechanism and to take appropriate action, as necessary. Any revision of the decision shall not affect clean development mechanism project activities already registered;

20. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

8th plenary meeting
10 November 2001

Draft decision -/CMP.1 (*Article 12*)

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,

Aware of its decisions -/CMP.1 (*Mechanisms*), -/CMP.1 (*Article 6*), -/CMP.1 (*Article 17*), -/CMP.1 (*Land use, land-use change and forestry*), -/CMP.1 (*Modalities for the accounting of assigned amounts*), -/CMP.1 (*Article 5.1*), -/CMP.1 (*Article 5.2*), -/CMP.1 (*Article 7*) and -/CMP.1 (*Article 8*), and decisions 2/CP.7 and 24/CP.7,

Cognizant of decision 17/CP.7 on modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol,

1. *Decides* to confirm, and give full effect to any actions taken pursuant to, decision 17/CP.7 and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Adopts* the modalities and procedures for a clean development mechanism contained in the annex below;

3. *Invites* the executive board to review the simplified modalities, procedures and the definitions of small-scale project activities referred to in paragraph 6(c) of decision 17/CP.7 and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Decides* further that any future revision of the modalities and procedures for a clean development mechanism shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the executive board and by the Subsidiary Body for Implementation drawing on technical advice from the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.

ANNEX

Modalities and procedures for a clean development mechanism

A. Definitions

1. For the purposes of the present annex the definitions contained in Article 1[1] and the provisions of Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in these modalities and procedures, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) A "removal unit" or "RMU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(e) "Stakeholders" means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM).

3. The COP/MOP shall provide guidance to the executive board by taking decisions on:

(a) The recommendations made by the executive board on its rules of procedure;

(b) The recommendations made by the executive board, in accordance with provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

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[1] In the context of this annex, "Article" refers to an Article of the Kyoto Protocol, unless otherwise specified.

(c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5, and accreditation standards contained in Appendix A below.

4. The COP/MOP shall further:

(a) Review annual reports of the executive board;

(b) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties[2].

(c) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;

(d) Assist in arranging funding of CDM project activities, as necessary.

C. Executive board

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(a) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;

(b) Make recommendations to the COP/MOP on any amendments or additions to rules of procedure for the executive board contained in the present annex, as appropriate;

(c) Report on its activities to each session of the COP/MOP;

(d) Approve new methodologies related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below;

(e) Review provisions with regard to simplified modalities, procedures and the definitions of small scale project activities and make recommendations to the COP/MOP;

(f) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5. This responsibility includes:

(i) Decisions on re-accreditation, suspension and withdrawal of accreditation;

(ii) Operationalization of accreditation procedures and standards;

(g) Review the accreditation standards in Appendix A below and make recommendations to the COP/MOP for consideration, as appropriate;

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[2] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

(h) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic or systemic barriers to their equitable distribution;

(i) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;

(j) Make any technical reports commissioned available to the public and provide a period of at least eight weeks for public comments on draft methodologies and guidance before documents are finalized and any recommendations are submitted to the COP/MOP for their consideration;

(k) Develop, maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;

(l) Develop and maintain the CDM registry as defined in Appendix D below;

(m) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as information on all CERs issued;

(n) Address issues relating to observance of modalities and procedures for the CDM by project participants and/or operational entities, and report on them to the COP/MOP;

(o) Elaborate and recommend to the COP/MOP for adoption at its next session procedures for conducting the reviews referred to in paragraphs 41 and 65 below including, *inter alia*, procedures to facilitate consideration of information from Parties, stakeholders and UNFCCC accredited observers. Until their adoption by the COP/MOP, the procedures shall be applied provisionally;

(p) Carry out any other functions ascribed to it in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

7. The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups, two other members from the Parties included in Annex I, two other members from the Parties not included in Annex I, and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members, including alternate members, of the executive board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 above and be elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) Be elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Terms as alternate members do not count. Five members and five alternate members shall be elected initially for a term of three years and five members and five alternate members for a term of two years. Thereafter, the COP/MOP shall elect, every year, five new members, and five new alternate members, for a term of two years. Appointment pursuant to paragraph 11 below shall count as one term. The members, and alternate members, shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members, and of alternate members, from developing country Parties and other Parties eligible under UNFCCC practice shall be covered by the budget for the executive board;

(d) Be bound by the rules of procedure of the executive board;

(e) Take a written oath of service witnessed by the Executive Secretary of the UNFCCC or his/her authorized representative before assuming his or her duties;

(f) Have no pecuniary or financial interest in any aspect of a CDM project activity or any designated operational entity;

(g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member, including alternate member, not to disclose confidential information constitutes an obligation in respect of that member, and alternate member, and shall remain an obligation after the expiration or termination of that member's function for the executive board.

9. The COP/MOP shall elect an alternate for each member of the executive board based on the criteria in paragraphs 7 and 8 above. The nomination by a constituency of a candidate member shall be accompanied by a nomination for a candidate alternate member from the same constituency.

10. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member, including an alternate member, for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification.

11. If a member, or an alternate member, of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member, or an alternate member, from the same constituency to replace the said member for the remainder of that member's mandate.

12. The executive board shall elect its own chairperson and vice-chairperson, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

13. The executive board shall meet as necessary but no less than three times a year, bearing in mind the provisions of paragraph 41 below. All documentation for executive board meetings shall be made available to alternate members.

14. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

15. Decisions by the executive board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers and stakeholders, except where otherwise decided by the executive board.

17. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations.

18. The executive board may establish committees, panels or working groups to assist it in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

19. The secretariat shall service the executive board.

D. Accreditation and designation of operational entities

20. The executive board shall:

(a) Accredit operational entities which meet the accreditation standards contained in Appendix A below;

(b) Recommend the designation of operational entities to the COP/MOP;

(c) Maintain a publicly available list of all designated operational entities;

(d) Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;

(e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

21. The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

22. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation, verification or certification report for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the end of review, an amount of reduced tonnes of carbon dioxide equivalent equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

23. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

24. Any costs related to the review referred to in paragraph 22 above shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

25. The executive board may seek assistance in performing the functions in paragraph 20 above, in accordance with the provisions of paragraph 18 above.

E. Designated operational entities

26. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP and the executive board.

27. A designated operational entity shall:

(a) Validate proposed CDM project activities;

(b) Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases;

(c) Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph (e) below;

(d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;

(e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;

(f) Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;

(g) Submit an annual activity report to the executive board;

(h) Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 43 below, to describe the baseline methodology and its application, and to support an environmental impact assessment referred to in paragraph 37(c) below, shall not be considered as proprietary or confidential.

F. Participation requirements

28. Participation in a CDM project activity is voluntary.

29. Parties participating in the CDM shall designate a national authority for the CDM.

30. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol.

31. Subject to the provisions of paragraph 32 below, a Party included in Annex I with a commitment inscribed in Annex B is eligible to use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

(a) It is a Party to the Kyoto Protocol;

(b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);

(c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;

(f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder.

32. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

(a) To meet the eligibility requirements referred to in paragraph 31 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) To continue to meet the eligibility requirements referred to in paragraph 31 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

33. A Party that authorizes private and/or public entities to participate in Article 12 project activities shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. Private and/or public entities may only transfer and acquire CERs if the authorizing Party is eligible to do so at that time.

34. The secretariat shall maintain publicly accessible lists of:

(a) Parties not included in Annex I which are Parties to the Kyoto Protocol;

(b) Parties included in Annex I that do not meet the requirements in paragraph 31 above or have been suspended.

G. Validation and registration

35. Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP, on the basis of the project design document, as outlined in Appendix B below.

36. Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

37. The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:

(a) The participation requirements as set out in paragraphs 28 to 30 above are satisfied;

(b) Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity on how due account was taken of any comments has been received;

(c) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;

(d) The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 43 to 52 below;

(e) The baseline and monitoring methodologies comply with requirements pertaining to:

(i) Methodologies previously approved by the executive board; or

(ii) Modalities and procedures for establishing a new methodology, as set out in paragraph 38 below;

(f) Provisions for monitoring, verification and reporting are in accordance with decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(g) The project activity conforms to all other requirements for CDM project activities in decision 17/CP.7, the present annex and relevant decisions by the COP/MOP and the executive board.

38. If the designated operational entity determines that the project activity intends to use a new baseline or monitoring methodology, as referred to in paragraph 37(e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology, together with the draft project design document, including a description of the project and identification of the project participants, to the executive board for review. The executive board shall expeditiously, if possible at its next meeting but not later than four months, review the proposed new methodology in accordance with the modalities and procedures of the present annex. Once approved by the executive board it shall make the approved methodology publicly available along with any relevant guidance and the designated operational entity may proceed with the validation of the project activity and submit the project design document for registration. In the event that the COP/MOP requests the revision of an approved methodology, no CDM project activity may use this methodology. The project participants shall revise the methodology, as appropriate, taking into consideration any guidance received.

39. A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 38 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

40. The designated operational entity shall:

(a) Prior to the submission of the validation report to the executive board, have received from the project participants written approval of voluntary participation from the designated national authority of each Party involved, including confirmation by the host Party that the project activity assists it in achieving sustainable development;

(b) In accordance with provisions on confidentiality contained in paragraph 27(h) above, make publicly available the project design document;

(c) Receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;

(d) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;

(e) Inform project participants of its determination on the validation of the project activity. Notification to the project participants will include:

(i) Confirmation of validation and date of submission of the validation report to the executive board; or

(ii) An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation;

(f) Submit to the executive board, if it determines the proposed project activity to be valid, a request for registration in the form of a validation report including the project design document, the written approval of the host Party as referred to in subparagraph (a) above, and an explanation of how it has taken due account of comments received;

(g) Make this validation report publicly available upon transmission to the executive board.

41. The registration by the executive board shall be deemed final eight weeks after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

(a) It shall be related to issues associated with the validation requirements;

(b) It shall be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

42. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

43. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

44. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 37 and 38 above.

45. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(b) In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;

(c) On a project-specific basis;

(d) In the case of small-scale CDM project activities which meet the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;

(e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.

46. The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.

47. The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels outside the project activity or due to *force majeure*.

48. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) Existing actual or historical emissions, as applicable; or

(b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or

(c) The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 per cent of their category.

49. Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

(a) A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or

(b) A maximum of ten years with no option of renewal.

50. Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 59 and 62(f) below, respectively.

51. Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and which is measurable and attributable to the CDM project activity.

52. The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

H. Monitoring

53. Project participants shall include, as part of the project design document, a monitoring plan that provides for:

(a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases within the project boundary during the crediting period;

(c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;

(d) The collection and archiving of information relevant to the provisions in paragraph 37(c) above;

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources by the proposed CDM project activity, and for leakage effects;

(g) Documentation of all steps involved in the calculations referred to in paragraph 53(c) and (f) above.

54. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 37 and 38 above, that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) Reflects good monitoring practice appropriate to the type of project activity.

55. For small-scale CDM project activities meeting the criteria specified in decision 17/CP.7 and relevant decisions by the COP/MOP, project participants may use simplified modalities and procedures for small-scale projects.

56. Project participants shall implement the monitoring plan contained in the registered project design document.

57. Revisions, if any, to the monitoring plan to improve its accuracy and/or completeness of information shall be justified by project participants and shall be submitted for validation to a designated operational entity.

58. The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

59. Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a CDM project activity during a specified time period shall be calculated, applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.

60. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 53 above for the purpose of verification and certification.

I. Verification and certification

61. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases as verified.

62. In accordance with the provisions on confidentiality in paragraph 27(h) above, the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and shall:

(a) Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision 17/CP.7, the present annex and relevant decisions of the COP/MOP;

(b) Conduct on-site inspections, as appropriate, that may comprise, *inter alia*, a review of performance records, interviews with project participants and local stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;

(c) If appropriate, use additional data from other sources;

(d) Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic emissions by sources have been applied correctly and their documentation is complete and transparent;

(e) Recommend to the project participants appropriate changes to the monitoring methodology for any future crediting period, if necessary;

(f) Determine the reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity, based on the data and information derived under subparagraph (a) above and obtained under subparagraph (b) and/or (c) above, as appropriate, using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;

(g) Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concerns and supply relevant additional information;

(h) Provide a verification report to the project participants, the Parties involved and the executive board. The report shall be made publicly available.

63. The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity. It shall inform the project participants, Parties involved and the executive board of its certification decision in writing immediately upon completion of the certification process and make the certification report publicly available.

J. Issuance of certified emission reductions

64. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

65. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity or at least three members of the executive board request a review of the proposed issuance of CERs. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;

(b) The executive board shall complete its review within 30 days following its decision to perform the review;

(c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

66. Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.

APPENDIX A

Standards for the accreditation of operational entities

1. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints. These procedures shall be made publicly available;

(f) Have, or have access to, the necessary expertise to carry out the functions specified in modalities and procedures of the CDM and relevant decisions by the COP/MOP, in particular knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;

(ii) Issues, in particular environmental, relevant to validation, verification and certification of CDM project activities, as appropriate;

(iii) The technical aspects of CDM project activities relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic emissions by sources;

(vi) Regional and sectoral aspects;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including quality assurance procedures, and all relevant decisions relating to validation, verification and certification. The applicant operational entity shall make available:

(i) The names, qualifications, experience and terms of reference of senior management personnel such as the senior executive, board members, senior officers and other relevant personnel;

(ii) An organizational chart showing lines of authority, responsibility and allocation of functions stemming from senior management;

(iii) Its quality assurance policy and procedures;

(iv) Administrative procedures, including document control;

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for all necessary functions for validation, verification and certification functions, and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:

- Make a declaration of all the organization's actual and planned involvement in CDM project activities, if any, indicating which part of the organization is involved and in which particular CDM project activities;

- Clearly define the links with other parts of the organization, demonstrating that no conflicts of interest exist;

- Demonstrate that no conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;

- Demonstrate that it, together with its senior management and staff, is not involved in any commercial, financial or other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in the present annex.

APPENDIX B

Project design document

1. The provisions of this appendix shall be interpreted in accordance with the annex above on modalities and procedures for a CDM.

2. The purpose of this appendix is to outline the information required in the project design document. A project activity shall be described in detail taking into account the provisions of the annex on modalities and procedures for a CDM, in particular, section G on validation and registration and section H on monitoring, in a project design document which shall include the following:

(a) A description of the project comprising the project purpose, a technical description of the project, including how technology will be transferred, if any, and a description and justification of the project boundary;

(b) A proposed baseline methodology in accordance with the annex on modalities and procedures for a CDM including, in the case of the:

(i) Application of an approved methodology:

- Statement of which approved methodology has been selected;
- Description of how the approved methodology will be applied in the context of the project;

(ii) Application of a new methodology:

- Description of the baseline methodology and justification of choice, including an assessment of strengths and weaknesses of the methodology;
- Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
- Projections of baseline emissions;
- Description of how the baseline methodology addresses potential leakage;

(iii) Other considerations, such as a description of how national and/or sectoral policies and circumstances have been taken into account and an explanation of how the baseline was established in a transparent and conservative manner;

(c) Statement of the estimated operational lifetime of the project and which crediting period was selected;

(d) Description of how the anthropogenic emissions of GHG by sources are reduced below those that would have occurred in the absence of the registered CDM project activity;

(e) Environmental impacts:

(i) Documentation on the analysis of the environmental impacts, including transboundary impacts;

(ii) If impacts are considered significant by the project participants or the host Party: conclusions and all references to support documentation of an environmental impact assessment that has been undertaken in accordance with the procedures as required by the host Party;

(f) Information on sources of public funding for the project activity from Parties included in Annex I which shall provide an affirmation that such funding does not result in a diversion of official development assistance and is separate from and is not counted towards the financial obligations of those Parties;

(g) Stakeholder comments, including a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received;

(h) Monitoring plan:

(i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;

(ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for monitoring, collecting and reporting;

(iii) In the case of a new monitoring methodology, provide a description of the methodology, including an assessment of strengths and weaknesses of the methodology and whether or not it has been applied successfully elsewhere;

(i) Calculations:

(i) Description of formulae used to calculate and estimate anthropogenic emissions by sources of greenhouse gases of the CDM project activity within the project boundary;

(ii) Description of formulae used to calculate and to project leakage, defined as: the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the CDM project activity boundary, and that is measurable and attributable to the CDM project activity;

(iii) The sum of (i) and (ii) above representing the CDM project activity emissions;

(iv) Description of formulae used to calculate and to project the anthropogenic emissions by sources of greenhouse gases of the baseline;

(v) Description of formulae used to calculate and to project leakage;

(vi) The sum of (iv) and (v) above representing the baseline emissions;

(vii) Difference between (vi) and (iii) above representing the emission reductions of the CDM project activity;

(j) References to support the above, if any.

APPENDIX C

Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall develop and recommend to the COP/MOP, *inter alia*:

(a) General guidance on methodologies relating to baselines and monitoring consistent with the principles set out in those modalities and procedures in order to:

(i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision 17/CP.7, the annex above and relevant decisions of the COP/MOP;

(ii) Promote consistency, transparency and predictability;

(iii) Provide rigour to ensure that net reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;

(iv) Ensure applicability in different geographical regions and to those project categories which are eligible in accordance with decision 17/CP.7 and relevant decisions of the COP/MOP;

(v) Address the additionality requirement of Article 12, paragraph 5(c), and paragraph 43 of the above annex;

(b) Specific guidance in the following areas:

(i) Definition of project categories (e.g. based on sector, subsector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring, including guidance on the level of geographic aggregation, taking into account data availability;

(ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;

(iii) Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness;

(iv) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;

(v) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;

(vi) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;

(vii) Accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the sector relevant to the project activity;

(viii) The breadth of the baseline, e.g. how the baseline makes comparisons between the technology/fuel used and other technologies/fuels in the sector;

(c) In developing the guidance in (a) and (b) above, the executive board shall take into account:

(i) Current practices in the host country or an appropriate region, and observed trends;

(ii) Least cost technology for the activity or project category.

APPENDIX D

Clean development mechanism registry requirements

1. The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.

2. The CDM registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.

3. The CDM registry shall have the following accounts:

(a) One pending account for the executive board, into which CERs are issued before being transferred to other accounts;

(b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account;

(c) At least one account for the purpose of cancelling ERUs, CERs, AAUs and RMUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;

(d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire CERs.

4. Each CER shall be held in only one account in one registry at a given time.

5. Each account within the CDM registry shall have a unique account number comprising the following elements:

(a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the executive board or another appropriate organization;

(b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.

6. Upon being instructed by the executive board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*):

(a) Issue the specified quantity of CERs into a pending account of the executive board;

(b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

(c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, in accordance with their request.

7. Each CER shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the CER is issued;

(b) Party of origin: the Party which hosted the CDM project activity, using the two-letter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a CER;

(d) Unit: a number unique to the CER for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs, AAUs and/or RMUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs, AAUs and RMUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. The CDM registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

10. The information referred to in paragraph 9 above shall include up-to-date information, for each account number in the registry, on the following:

(a) Account name: the holder of the account;

(b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;

(c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

(a) Project name: a unique name for the CDM project activity;

(b) Project location: the Party and town or region in which the CDM project activity is located;

(c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity;

(d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;

(e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

(a) The total quantity of CERs in each account at the beginning of the year;

(b) The total quantity of CERs issued;

(c) The total quantity of CERs transferred and the identity of the acquiring accounts and registries;

(d) The total quantity of ERUs, CERs, AAUs and RMUs cancelled in accordance with paragraph 8 above;

(e) Current holdings of CERs in each account.

Decision 18/CP.7

Modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

Aware of its decisions 3/CP.7, 11/CP.7, 15/CP.7, 16/CP.7, 17/CP.7, 19/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7 and 24/CP.7,

1. *Decides* to adopt the modalities, rules and guidelines for emissions trading contained in the annex below;

2. *Decides further* that any future revision of the modalities, rules and guidelines shall be decided in accordance with the rules of procedures of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice of the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter;

3. *Urges* the Parties included in Annex II to the Convention to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I to the Convention with commitments inscribed in Annex B which are undergoing the process of transition to a market economy;

4. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

8th plenary meeting
10 November 2001

Draft decision -/CMP.1 (*Article 17*)

Modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Aware of its decisions -/CMP.1 (*Mechanisms*), -/CMP.1 (*Article 6*), -/CMP.1 (*Article 12*), -/CMP.1 (*Land use, land-use change and forestry*), -/CMP.1 (*Modalities for the accounting of assigned amounts*), -/CMP.1 (*Article 5.1*), -/CMP.1 (*Article 5.2*), -/CMP.1 (*Article 7*) and -/CMP.1 (*Article 8*) and decisions 3/CP.7 and 24/CP.7,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision 18/CP.7 and to any other relevant decisions by the Conference of the Parties, as appropriate,

2. *Urges* the Parties included in Annex II to the Convention to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I to the Convention with commitments inscribed in Annex B which are undergoing the process of transition to a market economy.

ANNEX

Modalities, rules and guidelines for emissions trading under Article 17 of the Kyoto Protocol[1]

1. For the purpose of the present annex the definitions contained in Article 1[2] and the provisions of Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in the annex to decision -/CMP.1 (*Article 12*), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) A "removal unit" or "RMU" is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

2. Subject to the provisions of paragraph 3 below, a Party[3] included in Annex I with a commitment inscribed in Annex B is eligible to transfer and/or acquire ERUs, CERs, AAUs or RMUs issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:

(a) It is a Party to the Kyoto Protocol;

(b) Its assigned amount pursuant to Article 3, paragraphs 7 and 8, has been calculated and recorded in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*);

(c) It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the

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[1] The annex to decision -/CMP.1 (*Modalities for the accounting of assigned amounts*) contains operational provisions and procedures relevant to this annex.

[2] In the context of this annex, "Article" refers to an Article of the Kyoto Protocol, unless otherwise specified.

[3] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(d) It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(e) It has submitted annually the most recent required inventory, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder, including the national inventory report and the common reporting format. For the first commitment period, the quality assessment needed for the purpose of determining eligibility to use the mechanisms shall be limited to the parts of the inventory pertaining to emissions of greenhouse gases from sources/sector categories from Annex A to the Kyoto Protocol and the submission of the annual inventory on sinks;

(f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

3. A Party included in Annex I with a commitment inscribed in Annex B shall be considered:

(a) To meet the eligibility requirements referred to in paragraph 2 above after 16 months have elapsed since the submission of its report to facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision 24/CP.7 that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) To continue to meet the eligibility requirements referred to in paragraph 2 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility and has transmitted this information to the secretariat.

4. The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and of Parties that have been suspended.

5. Transfers and acquisitions between national registries shall be made under the responsibility of the Parties concerned in accordance with the provisions in decision -/CMP.1 (*Modalities for the accounting of assigned amounts*). A Party that authorizes legal entities to transfer and/or acquire under Article 17 shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. The Party shall maintain an up-to-date list of such entities and make it

available to the secretariat and the public through its national registry. Legal entities may not transfer and/or acquire under Article 17 during any period of time in which the authorizing Party does not meet the eligibility requirements or has been suspended.

6. Each Party included in Annex I shall maintain, in its national registry, a commitment period reserve which should not drop below 90 per cent of the Party's assigned amount calculated pursuant to Article 3, paragraphs 7 and 8, of the Kyoto Protocol, or 100 per cent of five times its most recently reviewed inventory, whichever is lowest.

7. The commitment period reserve shall consist of holdings of ERUs, CERs, AAUs and/or RMUs for the relevant commitment period which have not been cancelled in accordance with decision -/CMP.1 (*Modalities for the accounting of assigned amounts*).

8. Upon establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and until expiration of the additional period for fulfilling commitments, a Party shall not make a transfer which would result in these holdings being below the required level of the commitment period reserve.

9. If calculations under paragraph 6 above, or cancellations of ERUs, CERs, AAUs and/or RMUs raise the required level of the commitment period reserve above the Party's holdings of ERUs, CERs, AAUs and/or RMUs valid for the relevant commitment period, which have not been cancelled, the Party shall be notified by the secretariat and, within 30 days of this notification, shall bring its holdings to the required level.

10. Any provisions relating to the commitment period reserve or other limitations to transfers under Article 17 shall not apply to transfers by a Party of ERUs issued into its national registry which were verified in accordance with the verification procedure under the Article 6 supervisory committee.

11. The secretariat shall perform functions as requested.

Decision 19/CP.7

Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol

The Conference of the Parties,

Recalling its decisions 1/CP.3, 1/CP.4, 8/CP.4, and 5/CP.6 containing the Bonn Agreements on the implementation of the Buenos Aires Plan of Action,

Noting the relevant provisions of the Kyoto Protocol to the United Nations Framework Convention on Climate Change, in particular its Articles 3, 4, 5, 6, 7, 8, 12, 17 and 18,

Being aware of its decisions 11/CP.7, 15/CP.7, 16/CP.7, 17/CP.7, 18/CP.7, 20/CP.7, 21/CP.7, 22/CP.7, 23/CP.7 and 24/CP.7,

1. *Requests* the Subsidiary Body for Scientific and Technical Advice to develop technical standards for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the clean development mechanism registry and the transaction log, based on the annex to the decision below, with a view to recommending to the Conference of the Parties, at its eighth session, a decision on this matter, for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session, to facilitate the early development and establishment of national registries, as well as of the clean development mechanism registry and transaction log;

2. *Requests* the secretariat to develop the transaction log referred to in the annex to the draft decision below, taking into account the technical standards referred to in paragraph 1 above, with a view to establishing it no later than the second session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

3. *Requests* the Chairpman of the Subsidiary Body for Scientific and Technological Advice, with the assistance of the secretariat, to convene inter-sessional consultations with Parties and experts for the purposes of:

(a) Preparing draft technical standards, as referred to in paragraph 1 above, for consideration by the Subsidiary Body for Scientific and Technological Advice at its sixteenth and seventeenth sessions;

(b) Providing for the exchange of information and experience between Parties included in Annex I and Parties not included in Annex I, as well as the secretariat, in relation to the development and establishment of national registries, the clean development mechanism registry and the transaction log.

4. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the draft decision below.

8th plenary meeting
10 November 2001

Draft decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*

Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling Article 7, paragraph 4, of the Kyoto Protocol,

Recalling decision 19/CP.7,

Being aware of its decisions -/CMP.1 (*Mechanisms*), -/CMP.1 (*Article 6*), -/CMP.1 (*Article 12*), -/CMP.1 (*Article 17*), -/CMP.1 (*Land use, land-use change and forestry*), -/CMP.1 (*Article 5.1*), -/CMP.1 (*Article 5.2*), -/CMP.1 (*Article 7*) and -/CMP.1 (*Article 8*) and decision 24/CP.7,

1. *Adopts* the modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol, as contained in the annex to the present decision;

2. *Decides* that each Party included in Annex I with a commitment inscribed in Annex B shall submit to the secretariat, prior to 1 January 2007 or one year after the entry into force of the Kyoto Protocol for that Party, whichever is later, the report referred to in paragraph 6 of the annex to the present decision. After completion of the initial review under Article 8 and resolution of any question of implementation relating to adjustments under Article 5, paragraph 2, or its assigned amount pursuant to Article 3, paragraphs 7 and 8, the assigned amount pursuant to Article 3, paragraphs 7 and 8, of each Party shall be recorded in the database for the compilation and accounting of emissions and assigned amounts referred to in paragraph 50 of the annex to the present decision and shall remain fixed for the commitment period;

3. *Decides* that each Party included in Annex I with a commitment inscribed in Annex B shall submit to the secretariat, upon expiration of the additional period for fulfilling commitments, the report referred to in paragraph 49 of the annex to the present decision;

4. *Requests* the secretariat to begin publishing the annual compilation and accounting reports referred to in paragraph 61 of the annex to the present decision after completion of the initial review under Article 8 and resolution of any question of implementation relating to adjustments under Article 5, paragraph 2, or its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to forward them to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the compliance committee and each Party concerned;

5. *Requests* the secretariat to publish, after the additional period for fulfilling commitments, the final compilation and accounting reports referred to in paragraph 62 of the annex to the present decision and forward them to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, the compliance committee and each Party concerned.

ANNEX

Modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Kyoto Protocol[1]

I. MODALITIES

A. Definitions

1. An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

2. A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, as well as the relevant provisions in the annex to decision -/CMP.1 (*Article 12*), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

3. An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

4. A "removal unit" or "RMU" is a unit issued pursuant to the relevant provisions in these modalities for the accounting of assigned amounts and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

B. Calculation of assigned amount pursuant to Article 3, paragraphs 7 and 8

5. The assigned amount pursuant to Article 3, paragraphs 7 and 8, for the first commitment period, from 2008 to 2012, for each Party included in Annex I with a commitment inscribed in Annex B to the Kyoto Protocol[2] shall be equal to the percentage inscribed for it in Annex B of its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol in the base year, multiplied by five, taking into account the following:

(a) The base year shall be 1990 except for those Parties undergoing the process of transition to a market economy that have selected a historical base year or period other than 1990, in accordance with Article 3, paragraph 5, and for those Parties that have selected 1995 as the base year for total emissions of hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride, in accordance with Article 3, paragraph 8;

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[1] "Article" in these modalities refers to an article of the Kyoto Protocol, unless otherwise specified.

[2] Hereafter referred to as a "Party included in Annex I".

(b) Those Parties for which land-use change and forestry (all emissions by sources and removals by sinks under category 5 of the *Revised 1996 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories*) constituted a net source of greenhouse gas emissions in the base year or period shall include in their emissions during that year or period the aggregate anthropogenic carbon dioxide equivalent emissions by sources minus removals by sinks in that year or period from land-use change (all emissions by sources minus removals by sinks reported in relation to the conversion of forests (deforestation));

(c) Those Parties that have reached an agreement in accordance with Article 4 to fulfil their commitments under Article 3 jointly shall use the respective emission level allocated to each of the Parties in that agreement instead of the percentage inscribed for it in Annex B.

6. Each Party included in Annex I shall facilitate the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, for the commitment period and demonstrate its capacity to account for its emissions and assigned amount. To this end, each Party shall submit a report, in two parts, containing the information specified in paragraphs 7 and 8 below.

7. Part one of the report referred to in paragraph 6 above shall contain the following information, or references to such information where it has been previously submitted to the secretariat:

(a) Complete inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol for all years from 1990, or another approved base year or period under Article 3, paragraph 5, to the most recent year available, prepared in accordance with Article 5, paragraph 2, and relevant decisions of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP), taking into account any relevant decisions of the Conference of the Parties (COP);

(b) Identification of its selected base year for hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride in accordance with Article 3, paragraph 8;

(c) The agreement under Article 4, where the Party has reached such an agreement to fulfil its commitments under Article 3 jointly with other Parties;

(d) Calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, on the basis of its inventory of anthropogenic emissions by sources and removals by sinks of greenhouse gases not controlled by the Montreal Protocol.

8. Part two of the report referred to in paragraph 6 above shall contain the following information, or references to such information where it has been previously submitted to the secretariat:

(a) Calculation of its commitment period reserve in accordance with decision -/CMP.1 (*Article 17*);

(b) Identification of its selection of single minimum values for tree crown cover, land area and tree height for use in accounting for its activities under Article 3, paragraphs 3 and 4, together with a justification of the consistency of those values with the information that has been

historically reported to the Food and Agriculture Organization of the United Nations or other international bodies, and in the case of difference, an explanation of why and how such values were chosen, in accordance with decision -/CMP.1 (*Land use, land-use change and forestry*);

(c) Identification of its election of activities under Article 3, paragraph 4, for inclusion in its accounting for the first commitment period, together with information on how its national system under Article 5, paragraph 1, will identify land areas associated with the activities, in accordance with decision -/CMP.1 (*Land use, land-use change and forestry*);

(d) Identification of whether, for each activity under Article 3, paragraphs 3 and 4, it intends to account annually or for the entire commitment period;

(e) A description of its national system in accordance with Article 5, paragraph 1, reported in accordance with the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol;

(f) A description of its national registry, reported in accordance with the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol.

C. Recording of assigned amount pursuant to Article 3, paragraphs 7 and 8

9. After initial review under Article 8 and resolution of any questions of implementation relating to adjustments or the calculation of its assigned amount pursuant to Article 3, paragraphs 7 and 8, the assigned amount pursuant to Article 3, paragraphs 7 and 8, of each Party shall be recorded in the database for the compilation and accounting of emissions and assigned amounts referred to in paragraph 50 below.

10. Once recorded in the compilation and accounting database referred to in paragraph 50 below, the assigned amount pursuant to Article 3, paragraphs 7 and 8, of each Party shall remain fixed for the commitment period.

D. Additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, for the accounting of the compliance assessment

11. At the end of the additional period for fulfilling commitments, the following additions to the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party shall be made in accordance with Article 3, paragraphs 3, 4, 10, 12 and 13, for the accounting of the compliance assessment for the commitment period:

(a) Acquisitions by the Party of ERUs in accordance with Articles 6 and 17;

(b) Net acquisitions by the Party of CERs, where it acquires more CERs in accordance with Articles 12 and 17 than it transfers in accordance with Article 17;

(c) Acquisitions by the Party of AAUs in accordance with Article 17;

(d) Acquisitions by the Party of RMUs in accordance with Article 17;

(e) Issuance by the Party of RMUs on the basis of its activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, where such activities result in

a net removal of greenhouse gases, as reported in accordance with Article 7, reviewed in accordance with Article 8, taking into account any adjustments applied under Article 5, paragraph 2, accounted in accordance with the decision -/CMP.1 (*Land use, land-use change and forestry*) and subject to any question of implementation relating to those activities having been resolved;

(f) Carry-over by the Party of ERUs, CERs and/or AAUs from the previous commitment period, in accordance with paragraph 15 below.

12. At the end of the additional period for fulfilling commitments, the following subtractions from the assigned amount pursuant to Article 3, paragraphs 7 and 8, of a Party shall be made in accordance with Article 3, paragraphs 3, 4 and 11, for the accounting of the compliance assessment for the commitment period:

(a) Transfers by the Party of ERUs in accordance with Articles 6 and 17;

(b) Transfers by the Party of AAUs in accordance with Article 17;

(c) Transfers by the Party of RMUs in accordance with Article 17;

(d) Cancellation by the Party of ERUs, CERs, AAUs and/or RMUs on the basis of its activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, where such activities result in a net source of greenhouse gas emissions, as reported in accordance with Article 7, reviewed in accordance with Article 8, taking into account any adjustments applied under Article 5, paragraph 2, and accounted in accordance with decision -/CMP.1 (*Land use, land-use change and forestry*);

(e) Cancellation by the Party of ERUs, CERs, AAUs and/or RMUs following determination by the compliance committee that the Party was not in compliance with its commitment under Article 3, paragraph 1, for the previous commitment period, in accordance with decision 24/CP.7;

(f) Other cancellations by the Party of ERUs, CERs, AAUs and/or RMUs.

E. Basis for the compliance assessment

13. Each Party included in Annex I shall retire ERUs, CERs, AAUs and/or RMUs for the purpose of demonstrating its compliance with its commitment under Article 3, paragraph 1.

14. The assessment, after the expiration of the additional period for fulfilling commitments, of the compliance of a Party included in Annex I with its commitment under Article 3, paragraph 1, shall be based on the comparison of the quantity of ERUs, CERs, AAUs and/or RMUs, valid for the commitment period in question, retired by the Party in accordance with paragraph 13 above, with its aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol during the commitment period as reported in accordance with Article 7 and reviewed in accordance with Article 8, taking into account any adjustments in accordance with Article 5, paragraph 2, as recorded in the compilation and accounting database referred to in paragraph 50 below.

F. Carry-over

15. After expiration of the additional period for fulfilling commitments and where the final compilation and accounting report referred to in paragraph 62 below indicates that the quantity of ERUs, CERs, AAUs and/or RMUs retired by the Party in accordance with paragraph 13 above is at least equivalent to its anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol for that commitment period, the Party may carry over to the subsequent commitment period:

(a) Any ERUs held in its national registry, which have not been converted from RMUs and have not been retired for that commitment period or cancelled, to a maximum of 2.5 per cent of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party;

(b) Any CERs held in its national registry, which have not been retired for that commitment period or cancelled, to a maximum of 2.5 per cent of the assigned amount pursuant to Article 3, paragraphs 7 and 8, of that Party;

(c) Any AAUs held in its national registry, which have not been retired for that commitment period or cancelled.

16. RMUs may not be carried over to the subsequent commitment period.

II. REGISTRY REQUIREMENTS

A. National registries

17. Each Party included in Annex I shall establish and maintain a national registry to ensure the accurate accounting of the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs, AAUs and RMUs and the carry-over of ERUs, CERs and AAUs.

18. Each Party shall designate an organization as its registry administrator to maintain the national registry of that Party. Any two or more Parties may voluntarily maintain their respective national registries in a consolidated system, provided that each national registry remains distinct.

19. A national registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer, acquisition, cancellation and retirement of ERUs, CERs, AAUs and RMUs and the carry-over of ERUs, CERs and AAUs. The structure and data formats of national registries shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the clean development mechanism (CDM) registry and the independent transaction log.

20. Each ERU, CER, AAU and RMU shall be held in only one account in one registry at a given time.

21. Each national registry shall have the following accounts:

(a) At least one holding account for the Party;

(b) At least one holding account for each legal entity authorized by the Party to hold ERUs, CERs, AAUs and/or RMUs under its responsibility;

(c) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12(d) above;

(d) One cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12(e) above;

(e) At least one cancellation account for each commitment period for the purposes of cancelling ERUs, CERs, AAUs and/or RMUs under paragraph 12(f) above;

(f) One retirement account for each commitment period.

22. Each account within a national registry shall have a unique account number comprising the following elements:

(a) Party identifier: the Party in whose national registry the account is maintained, identified by means of the two-letter country code defined by the International Organization for Standardization (ISO 3166);

(b) A unique number: a number unique to that account for the Party in whose national registry the account is maintained.

B. Issuance of ERUs, AAUs and RMUs

23. Each Party included in Annex I shall, prior to any transactions taking place for that commitment period, issue a quantity of AAUs equivalent to its assigned amount pursuant to Article 3, paragraphs 7 and 8, calculated and recorded in accordance with paragraphs 5 to 10 above, in its national registry.

24. Each AAU shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the AAU is issued;

(b) Party of origin: the Party issuing the AAU, identified by means of the two-letter country code defined by ISO 3166;

(c) Type: an element identifying the unit as an AAU;

(d) Unit: a number unique to the AAU for the identified commitment period and Party of origin.

25. Each Party included in Annex I shall issue in its national registry RMUs equivalent to the net removals of anthropogenic greenhouse gases resulting from its activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, accounted in accordance with decision -/CMP.1 (*Land use, land-use change and forestry*) as reported under Article 7, paragraph 1, following completion of the review in accordance with Article 8, taking into account any adjustments applied in accordance with Article 5, paragraph 2, and resolution of any questions of implementation related to the reported net removals of anthropogenic greenhouse

gases. Each Party shall elect for each activity, prior to the start of the commitment period, to issue such RMUs annually or for the entire commitment period. The decision of a Party shall remain fixed for the first commitment period.

26. Where a question of implementation is identified by an expert review team under Article 8 in relation to the calculation of the net removals of greenhouse gases from the activities of a Party under Article 3, paragraph 3 or 4, or where adjustments exceed thresholds to be decided according to paragraph 2 of decision 22/CP.7, the Party shall not issue the RMUs relating to the reported net removals of anthropogenic greenhouse gases for each activity under Article 3, paragraph 3, and for each elected activity under Article 3, paragraph 4, until the question of implementation is resolved.

27. Each RMU shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the RMU is issued;

(b) Party of origin: the Party included in Annex I issuing the RMU, identified by means of the two-letter country code defined by ISO 3166;

(c) Type: an element identifying the unit as an RMU;

(d) Activity: the type of activity for which the RMU was issued;

(e) Unit: a number unique to the RMU for the identified commitment period and Party of origin.

28. Each Party included in Annex I shall ensure that the total quantity of RMUs issued into its registry pursuant to Article 3, paragraph 4, for the commitment period does not exceed the limits established for that Party as set out in decision -/CMP.1 (*Land use, land-use change and forestry*).

29. Prior to their transfer, each Party shall issue ERUs into its national registry by converting AAUs or RMUs previously issued by that Party and held in its national registry. An AAU or RMU shall be converted into an ERU by adding a project identifier to the serial number and changing the type indicator in the serial number to indicate an ERU. Other elements of the serial number of the AAU or RMU shall remain unchanged. The project identifier shall identify the specific Article 6 project for which the ERU is issued, using a number unique to the project for the Party of origin, including whether the relevant reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks were verified under the Article 6 supervisory committee.

C. Transfer, acquisition, cancellation, retirement and carry-over

30. ERUs, CERs, AAUs and RMUs may be transferred between registries in accordance with decisions -/CMP.1 (*Article 6*), -/CMP.1 (*Article 12*), -/CMP.1 (*Article 17*) and -/CMP.1 (*Land use, land-use and forestry*), and may be transferred within registries.

31. Each Party included in Annex I shall ensure that its net acquisitions of CERs from afforestation and reforestation activities under Article 12 for the first commitment period do not

exceed the limits established for that Party as set out in decision -/CMP.1 (*Land use, land-use and forestry*).

32. Each Party included in Annex I shall cancel CERs, ERUs, AAUs and/or RMUs equivalent to the net emissions of anthropogenic greenhouse gases resulting from its activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, accounted in accordance with decision -/CMP.1 (*Land use, land-use change and forestry*) as reported under Article 7, paragraph 1, following completion of the review in accordance with Article 8, taking into account any adjustments applied in accordance with Article 5, paragraph 2, and resolution of any questions of implementation related to the reported net emissions of anthropogenic greenhouse gases, in accordance with paragraph 12(d) above, by transferring the ERUs, CERs, AAUs and/or RMUs to the appropriate cancellation account in its national registry. Each Party shall cancel ERUs, CERs, AAUs and/or RMUs for each activity for the same period for which it has elected to issue RMUs for that activity.

33. Each Party included in Annex I may cancel ERUs, CERs, AAUs and/or RMUs so they cannot be used in fulfilment of commitments under Article 3, paragraph 1, in accordance with paragraph 12 (f) above, by transferring ERUs, CERs, AAUs and/or RMUs to a cancellation account in its national registry. Legal entities, where authorized by the Party, may also transfer ERUs, CERs, AAUs and RMUs into a cancellation account.

34. Prior to the end of the additional period for fulfilling commitments, each Party included in Annex I shall retire ERUs, CERs, AAUs and/or RMUs valid for that commitment period for use towards meeting its commitments under Article 3, paragraph 1, in accordance with paragraph 13 above, by transferring ERUs, CERs, AAUs and/or RMUs to the retirement account for that commitment period in its national registry.

35. ERUs, CERs, AAUs and RMUs transferred to cancellation accounts or the retirement account for a commitment period may not be further transferred or carried over to the subsequent commitment period. ERUs, CERs, AAUs and RMUs transferred to cancellation accounts may not be used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

36. Each Party included in Annex I may carry over ERUs, CERs and/or AAUs held in its registry, that have not been cancelled or retired for a commitment period, to the subsequent commitment period in accordance with paragraph 15 above. Each ERU, CER and/or AAU carried over in this manner shall maintain its original serial number and shall be valid in the subsequent commitment period. ERUs, CERs, AAUs and RMUs of a previous commitment period held in the registry of a Party which have not been carried over in this manner shall be cancelled in accordance with paragraph 12(f) above once the additional period for fulfilling commitments has ended.

37. Where the compliance committee determines that the Party is not in compliance with its commitment under Article 3, paragraph 1, for a commitment period, the Party shall transfer the quantity of ERUs, CERs, AAUs and/or RMUs calculated in accordance with decision 24/CP.7 into the relevant cancellation account, in accordance with paragraph 12(e) above.

D. Transaction procedures

38. The secretariat shall establish and maintain an independent transaction log to verify the validity of transactions, including issuance, transfer and acquisition between registries, cancellation and retirement of ERUs, CERs, AAUs and RMUs and the carry-over of ERUs, CERs and AAUs.

39. A Party included in Annex I shall initiate issuance of AAUs or RMUs by directing its national registry to issue AAUs or RMUs into a specific account within that registry. The executive board of the CDM shall initiate issuance of CERs by directing the CDM registry to issue CERs into its pending account in accordance with the requirements in Article 12 and requirements thereunder, as well as the relevant provisions in the annex to decision -/CMP.1 (*Article 12*). A Party included in Annex I shall initiate issuance of ERUs by directing its national registry to convert specified AAUs or RMUs into ERUs within an account of that national registry. Subject to notification by the transaction log that there are no discrepancies pertaining to the issuance, the issuance shall be completed when specific ERUs, CERs, AAUs or RMUs are recorded in the specified account and, in the case of ERUs, the specified AAUs or RMUs are removed from the account.

40. A Party included in Annex I shall initiate any transfer of ERUs, CERs, AAUs or RMUs, including those to cancellation and retirement accounts, by directing its national registry to transfer specified ERUs, CERs, AAUs or RMUs to a specific account within that registry or another registry. The executive board of the CDM shall initiate any transfer of CERs held in the CDM registry by directing it to transfer specified CERs to a specific account within that registry or another registry. Subject to notification by the transaction log, where applicable, that there are no discrepancies pertaining to the transfer, the transfer shall be completed when the specified ERUs, CERs, AAUs or RMUs are removed from the transferring account and are recorded in the acquiring account.

41. Upon the initiation of any issuance, transfer between registries, cancellation or retirement of ERUs, CERs, AAUs or RMUs, and prior to the completion of those transactions:

(a) The initiating registry shall create a unique transaction number comprising: the commitment period for which the transaction is proposed; the Party identifier for the Party initiating the transaction (using the two-letter country code defined by ISO 3166); and a number unique to that transaction for the commitment period and initiating Party;

(b) The initiating registry shall send a record of the proposed transaction to the transaction log and, in the case of transfers to another registry, to the acquiring national registry. The record shall include: the transaction number; the transaction type (issuance, transfer, cancellation or retirement, further distinguished in accordance with the categories in paragraphs 11 and 12 above); the serial numbers of the relevant ERUs, CERs, AAUs or RMUs; and the relevant account numbers.

42. Upon receipt of the record, the transaction log shall conduct an automated check to verify that there is no discrepancy, with regard to:

(a) In all transactions: units previously retired or cancelled; units existing in more than one registry; units for which a previously identified discrepancy has not been resolved; units improperly carried over; units improperly issued, including those which infringe upon the limits contained in decision -/CMP.1 (*Land use, land-use change and forestry*); and the authorization of legal entities involved to participate in the transaction;

(b) In the case of transfers between registries: the eligibility of Parties involved in the transaction to participate in the mechanisms; and infringement upon the commitment period reserve of the transferring Party;

(c) In the case of acquisitions of CERs from land use, land-use change and forestry projects under Article 12: infringement of the limits contained in decision -/CMP.1 (*Land use, land-use change and forestry*);

(d) In the case of a retirement of CERs: the eligibility of the Party involved to use CERs to contribute to its compliance under Article 3, paragraph 1;

43. Upon completion of the automated check, the transaction log shall notify the initiating and, in the case of transfers to another registry, the acquiring registry of the results of the automated check. Depending on the outcome of the check, the following procedures shall apply:

(a) If a discrepancy is notified by the transaction log, the initiating registry shall terminate the transaction, notify the transaction log and, in the case of transfers to another registry, the acquiring registry of the termination. The transaction log shall forward a record of the discrepancy to the secretariat for consideration as part of the review process for the relevant Party or Parties under Article 8;

(b) In the event of a failure by the initiating registry to terminate the transaction, the ERUs, CERs, AAUs or RMUs involved in the transaction shall not be valid for use towards compliance with commitments under Article 3, paragraph 1, until the problem has been corrected and any questions of implementation pertaining to the transaction have been resolved. Upon resolution of a question of implementation pertaining to a Party's transactions, that Party shall perform any necessary corrective action within 30 days;

(c) If no discrepancy is notified by the transaction log, the initiating registry and, in the case of transfers to another registry, the acquiring registry, shall complete or terminate the transaction and send the record and a notification of completion or termination of the transaction to the transaction log. In the case of transfers to another registry, the initiating and acquiring registries shall also send their records and notifications to each other;

(d) The transaction log shall record, and make publicly available, all transaction records and the date and time of completion of each transaction, to facilitate its automated checks and the review under Article 8.

E. Publicly accessible information

44. Each national registry shall make non-confidential information publicly available and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

45. The information referred to in paragraph 44 above shall include up-to-date information for each account number in that registry on the following:

(a) Account name: the holder of the account;

(b) Account type: the type of account (holding, cancellation or retirement);

(c) Commitment period: the commitment period with which a cancellation or retirement account is associated;

(d) Representative identifier: the representative of the account holder, using the Party identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative within the Party's registry;

(e) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and email address of the representative of the account holder.

46. The information referred to in paragraph 44 above shall include the following Article 6 project information, for each project identifier against which the Party has issued ERUs:

(a) Project name: a unique name for the project;

(b) Project location: the Party and town or region in which the project is located;

(c) Years of ERU issuance: the years in which ERUs have been issued as a result of the Article 6 project;

(d) Reports: downloadable electronic versions of all publicly available documentation relating to the project, including proposals, monitoring, verification and issuance of ERUs, where relevant, subject to the confidentiality provisions in decision -/CMP.1 (*Article 6*).

47. The information referred to in paragraph 44 above shall include the following holding and transaction information relevant to the national registry, by serial number, for each calendar year (defined according to Greenwich Mean Time):

(a) The total quantity of ERUs, CERs, AAUs and RMUs in each account at the beginning of the year;

(b) The total quantity of AAUs issued on the basis of the assigned amount pursuant to Article 3, paragraphs 7 and 8;

(c) The total quantity of ERUs issued on the basis of Article 6 projects;

(d) The total quantity of ERUs, CERs, AAUs and RMUs acquired from other registries and the identity of the transferring accounts and registries;

(e) The total quantity of RMUs issued on the basis of each activity under Article 3, paragraphs 3 and 4;

(f) The total quantity of ERUs, CERs, AAUs and RMUs transferred to other registries and the identity of the acquiring accounts and registries;

(g) The total quantity of ERUs, CERs, AAUs and RMUs cancelled on the basis of activities under Article 3, paragraphs 3 and 4;

(h) The total quantity of ERUs, CERs, AAUs and RMUs cancelled following determination by the compliance committee that the Party is not in compliance with its commitment under Article 3, paragraph 1;

(i) The total quantity of other ERUs, CERs, AAUs and RMUs cancelled;

(j) The total quantity of ERUs, CERs, AAUs and RMUs retired;

(k) The total quantity of ERUs, CERs, AAUs carried over from the previous commitment period;

(l) Current holdings of ERUs, CERs, AAUs and RMUs in each account.

48. The information referred to in paragraph 44 above shall include a list of legal entities authorized by the Party to hold ERUs, CERs, AAUs and/or RMUs under its responsibility.

III. COMPILATION AND ACCOUNTING OF EMISSION INVENTORIES AND ASSIGNED AMOUNTS

A. Report upon expiration of the additional period for fulfilling commitments

49. Upon expiration of an additional period for fulfilling commitments, each Party included in Annex I shall report to the secretariat and make available to the public, in a standard electronic format, the following information. This information shall only include ERUs, CERs, AAUs and RMUs valid for the commitment period in question:

(a) The total quantities of the categories of ERUs, CERs, AAUs and RMUs listed in paragraph 47(a) to (j) above, for the current calendar year until the end of the additional period for fulfilling commitments (defined according to Greenwich Mean Time);

(b) The total quantity and serial numbers of ERUs, CERs, AAUs and RMUs in its retirement account;

(c) The total quantity and serial numbers of ERUs, CERs and AAUs which the Party requests to be carried over to the subsequent commitment period.

B. Compilation and accounting database

50. The secretariat shall establish a database to compile and account for emissions and assigned amounts pursuant to Article 3, paragraphs 7 and 8, and additions to, and subtractions from assigned amounts pursuant to Article 3, paragraphs 7 and 8, for the accounting of the compliance assessment, in accordance with paragraphs 11 and 12 above. The purpose of this database is to facilitate the assessment of the compliance of each Party included in Annex I with its commitment under Article 3, paragraph 1.

51. A separate record shall be maintained in the database for each Party included in Annex I for each commitment period. Information on ERUs, CERs, AAUs and RMUs shall only include units valid for the commitment period in question and shall be recorded separately for each type of unit.

52. The secretariat shall record in the database for each Party included in Annex I the following information:

(a) The assigned amount pursuant to Article 3, paragraphs 7 and 8;

(b) For the first commitment period, the total allowable issuances of RMUs resulting from forest management activities under Article 3, paragraph 4, and limits on net acquisitions of CERs from afforestation and reforestation activities under Article 12 pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*).

53. The secretariat shall record in the database, for each Party included in Annex I, whether it is eligible to transfer and/or acquire ERUs, CERs, AAUs and RMUs pursuant to decisions -/CMP.1 (*Article 6*) and -/CMP.1 (*Article 17*) and to use CERs to contribute to its compliance under Article 3, paragraph 1, pursuant to decision -/CMP.1 (*Article 12*).

54. The secretariat shall annually record the following information relating to emissions for each Party included in Annex I, following the annual review under Article 8, the application of any adjustment under Article 5, paragraph 2, and the resolution of any questions of implementation pertaining to emission estimates:

(a) Aggregate annual anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol for each year of the commitment period that has been reported in accordance with Article 7;

(b) Any adjustments under Article 5, paragraph 2, recorded as the difference, in carbon dioxide equivalent terms, between the adjusted estimate and the inventory estimate reported under Article 7;

(c) Aggregate anthropogenic carbon dioxide equivalent emissions in the commitment period, calculated as the sum of the amounts in subparagraphs (a) and (b) above for all years of the commitment period to date.

55. The secretariat shall annually record in the database the following information for each Party included in Annex I related to accounting for net emissions and removals of greenhouse

gases resulting from its activities under Article 3, paragraph 3, and its elected activities under Article 3, paragraph 4, following the annual review under Article 8, the application of any adjustment under Article 5, paragraph 2, and the resolution of any relevant questions of implementation:

(a) The calculation of whether the activities under Article 3, paragraphs 3 and 4, that have been reported in accordance with Article 7 result in net anthropogenic emissions or net anthropogenic removals of greenhouse gases pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*);

(b) For those activities for which the Party has elected to account annually, the net anthropogenic emissions and removals of greenhouse gases pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*) for the calendar year;

(c) For those activities for which the Party has elected to account for the entire commitment period, the net anthropogenic emissions and removals of greenhouse gases pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*) for the calendar year;

(d) Any adjustments under Article 5, paragraph 2, recorded as the difference in carbon dioxide equivalent terms between the adjusted estimate and the estimate reported under Article 7;

(e) The total net anthropogenic emissions and removals of greenhouse gases pursuant to decision -/CMP.1 (*Land use, land-use change and forestry*) for the commitment period, calculated as the sum for all years of the commitment period to date of the amounts referred to in subparagraphs (b), (c) and (d) above.

56. Where a Party submits recalculated estimates of emissions and removals of greenhouse gases for a year of the commitment period, subject to the review in accordance with Article 8, the secretariat shall make appropriate amendments to the information contained in the database including, where relevant, the removal of previously applied adjustments.

57. The secretariat shall record and update the required level of the commitment period reserve for each Party included in Annex I, in accordance with decision -/CMP.1 (*Article 17*).

58. The secretariat shall annually record in the database for each Party included in Annex I the following information related to transactions, for the previous calendar year and to date for the commitment period, following completion of the annual review under Article 8, including the application of any corrections, and resolution of any relevant questions of implementation:

(a) Total transfers of ERUs, CERs, AAUs and RMUs;

(b) Total acquisitions of ERUs, CERs, AAUs and RMUs;

(c) Net acquisitions of CERs resulting from afforestation and reforestation activities under Article 12;

(d) Total issuances of RMUs relating to each activity under Article 3, paragraphs 3 and 4;

(e) Total issuances of ERUs on the basis of Article 6 projects;

(f) Total of ERUs, CERs and AAUs carried over from the previous commitment period;

(g) Total cancellations of ERUs, CERs, AAUs and RMUs relating to each activity under Article 3, paragraphs 3 and 4;

(h) Total cancellations of ERUs, CERs, AAUs and RMUs following determination by the compliance committee that the Party is not in compliance with its commitment under Article 3, paragraph 1;

(i) Total of any other cancellations of ERUs, CERs, AAUs and RMUs;

(j) Total retirements of ERUs, CERs, AAUs and RMUs.

59. Upon expiration of the additional period for the fulfilment of commitments, and following review under Article 8 of the report submitted by the Party under paragraph 49 above, including the application of any corrections, and the resolution of any relevant questions of implementation, the secretariat shall record in the database the following information for each Party included in Annex I:

(a) The total additions to, or subtractions from, the assigned amount pursuant to Article 3, paragraphs 7 and 8, for the accounting of the compliance assessment, in accordance with paragraphs 11 and 12 above;

(b) The total quantity of ERUs, CERs, AAUs and RMUs in the retirement account of the Party for that commitment period.

60. Upon completion of the Article 8 review of the annual inventory for the last year of the commitment period, and the resolution of any related question of implementation, the secretariat shall record in the database the aggregate anthropogenic carbon dioxide equivalent emissions of the greenhouse gases, and from the sources, listed in Annex A to the Kyoto Protocol of the Party for the commitment period.

C. Compilation and accounting reports

61. The secretariat shall publish an annual compilation and accounting report for each Party included in Annex I and forward it to the COP/MOP, the compliance committee and the Party concerned.

62. After the commitment period and the additional period for fulfilling commitments, the secretariat shall publish a final compilation and accounting report for each Party included in Annex I and forward it to the COP/MOP, the compliance committee and the Party concerned, indicating:

(a) The aggregate anthropogenic carbon dioxide equivalent emissions of the Party for the commitment period as recorded under paragraph 60 above;

(b) The total quantity of ERUs, CERs, AAUs and RMUs in the retirement account of the Party for the commitment period, as recorded under paragraph 59 (b) above;

(c) Where applicable, the quantities of ERUs, CERs and AAUs in the registry available for carry-over to the subsequent commitment period;

(d) Where applicable, the quantity in tonnes by which the aggregate anthropogenic carbon dioxide equivalent emissions exceed the total quantity of ERUs, CERs, AAUs and RMUs in the retirement account of the Party for the commitment period.